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ABSTRACT

People launch a private career practice for many reasons. Often the motivation is to seek a working life with more control over--and flexibility relating to--time, freedom, location, work style, client base, family life, etc. Career practitioners who launch a private practice have often worked in the academic, government, military or non-profit sector. Whatever the reason, launching and managing a successful career practice offers a new set of challenges and rewards. The biggest change in becoming self-employed career practitioner is that in addition to providing career related expertise, they are know running a business with all of the responsibilities that come with business ownership. This paper overviews particular challenges and considerations that career practitioners should take into account in order to run a successful private career practice. (GCP)

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The Business Side of a Successful Career Practice

by
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The Business Side of a Successful Career Practice

Vivian VanLier

People launch a private career practice for many reasons. Often the motivation is to seek a working life with more control over—and flexibility relating to—time, freedom, location, work style, client base, family life, etc. They may wish to transition because of retirement, family responsibilities, empty-nest syndrome, re-entering the workforce to generate a second or supplementary income, or to scale back and work only part-time. Perhaps they have a vision of the type of clientele they wish to work with and a niche service they want to provide. Perhaps they just long to assert their independence and entrepreneurial spirit and "be their own boss." Career practitioners who launch a private practice have often worked in the academic, government, military or non-profit sector. Perhaps they worked in a group practice as part of a staff where office facilities, equipment and physical layout were provided—as well as the clientele. Or, perhaps they have recently acquired their skills and want to launch a practice in lieu of working for someone else.

Whatever the reason, launching and managing a successful career practice offers a new set of challenges and rewards. The biggest change in becoming a self-employed career practitioner is that in addition to providing your career related expertise, you are now running a business with all of the responsibilities that come with business ownership. You will be in charge of all the business decisions and the administrative, sales, marketing, and financial aspects of the business.

A particular challenge faced by the career practitioner is an inherent conflict in wanting to "help" others and charge fees that cover the costs of doing business as well as generating a reasonable profit. The very traits that have drawn you into this field can emerge as one of the greatest stumbling blocks toward success. Working with clients that are confused or frustrated in their careers touches that very part of us that wants to reach out and fix things for them and/or give them guidance and advice to make their path easier. Clients will ask questions such as "how can you help me?" A potential client may seek services because they're under-employed or between jobs and "really can't afford your fees." Or after quoting your fees they may ask if you could reduce your fees. In fact, very often a prospective client's first question is, "How much do you charge?" Therefore, one of the first subjects discussed is the issue of fees and for

many of us, with our "social services" mentality, this is a tough discussion. We may actually feel guilty asking them for money (unless, of course, if we're under-pricing our services which is a good recipe for business failure and/or eventually resenting our clients. When we undervalue our services, the client comes to undervalue our time and expertise).

It is very important for career practitioners to understand that if they don't charge adequately for their services, they will not be able to stay in business and help others. So pricing our services fairly is perhaps our first challenge. Sometimes in discussing fees it's helpful to think about when you are the consumer and you need professional services. When you contact an attorney, CPA, dentist or physician, don't you expect to pay a fair fee? Do you ask, "Can you do a little better?"

It's an interesting fact that people too often don't value career services in the same way as other professional services. You might want to discuss with some clients and prospects the return on their investment. Even a salary averaging $30,000 over a 50-year career amounts to earnings of $1.5 million. Divide your total fees by their earnings and you can calculate their investment. If a package of career services will result in a fee of $1,000 and the client earns $35,000, the fee represents an investment of less than 3% in their career. If your consulting contributes to an increase in earnings to $40,000, the client will have invested 3% to generate a salary increase or $10,000 or 10 times their investment. Or put another way, they will have invested $1,000 to generate a net return of $9,000 ($10,000 less your fee of $1,000). We will talk about a formula for pricing services later.

For now, I would like to address some of the considerations that must be dealt with at the time of launching your practice. This is not meant to be an all encompassing list, but among the many initial considerations in launching your private practice are the following:

1. Type of business entity. Will you operate as a sole proprietorship, partnership, LLC, or corporation? You may want to contact an attorney and/or a tax practitioner in making this decision. The type of business entity you wish to operate under will affect liability issues as well as tax considerations.
2. Home-based versus office-based. You will want to consider factors such as location, privacy, safety issues, parking, zoning, space availability, cost of renting, tax advantages, logistics, etc.
3. Will you see clients in person or work long distance? Depending upon the type of career services you provide, you may or may not have this option. Career coaches and many résumé writers operate their businesses long distance over the Internet and by telecoaching. There are pros and cons to operating this way but

for many practitioners it provides the ultimate level of flexibility and enables them to work with clientele regardless of physical location.

4. Will you be a generalist or seek a niche clientele? Many business experts firmly believe that success is directly tied to targeting one or more specific industry niches. On the other hand, many practitioners seek the stimulation that comes from working with a broad range of clients. There are many sources of information on this subject in helping to make this decision. Talk to colleagues; see what works or doesn't work for them.
5. What type of payments will you take? Cash? Checks? Credit cards? Will you barter services? Sometimes in getting started, trading your expertise for goods and services is a win-win formula. A word of caution when doing this is to give the products and/or services a dollar value to avoid one or both of the parties feeling cheated.
6. Are you going to hire a staff or work on your own? Will you contract out some of your services?
7. What will your operating hours be? Do you want to have flexible hours or do you function better with structure? Clearly being in control of your time is one of the great advantages in operating your own practice.
8. Do you need a business plan? Most business experts feel that it is essential that you have some kind of a business plan. In general, a business plan has at least a mission statement or goal, a marketing plan and a financial plan. We advise our clients to establish a career goal and break it into attainable steps. Will you do this for your own business practice?
9. Do you have adequate savings or a second source of income to support you until you turn a profit?
10. Initial investment. Depending upon your area of practice, you will need to invest in some equipment, supplies and furnishings. Whether you decide to be office-based or home-based, at the minimum you will need a dedicated phone number, voice mail or an answering machine, and basic office supplies. Most probably you will also need a computer; software such as word processing (Word, WordPerfect), a financial program (Quicken, QuickBooks, Money), contact management (Act!, Outlook, Access, Client Compass), presentation software (PowerPoint), etc.; printer and fax machine. (Of course, you can initially set up practice on your kitchen table or den and even meet with clients at your local Starbucks or McDonalds.)

To sustain your business, you will have additional ongoing expenses

for goods and services that were provided by your previous employer, including:

1. Library materials. It's now up to you to purchase books, reference materials, publications, journals, testing materials, etc.
2. Continuing education / professional development. For those transitioning from an employment situation where conferences, training and testing were paid for, you will have to set aside funds for registration, travel and lodging expense.
3. Dues and memberships. You will now be paying your own membership in professional associations and community organizations as well as networking groups to expand your business presence.
4. Marketing / advertising expenses. Depending upon your area of specialization, you may want—or need—to place advertising in industry publications or the yellow pages. This can be a very significant monthly or annual expense. You may need to develop brochures and other marketing collateral. You will need business cards. Any of these advertising solutions may require retaining the services of professional writers or graphic artists. When you were an employee, you did not have to concern yourself with actually developing new business on an ongoing basis. Now they are your very lifeline.
5. Ongoing office and equipment supplies such as file folders, letterhead, envelopes, toner cartridges, diskettes, CD's, etc.
6. Taxes and licenses. This will vary depending upon the type of business entity you have selected. Be aware that whereas previously, if you were an employee you had a deduction for social security taxes that your employer matched, you will now be paying self employment taxes which amounts to both contributions on your own.

Managing time has a very different meaning to the self-employed than to those employed by others. Certainly, as an employee, you are expected to add value to your organization and manage time and tasks in an effective manner. In today's work environment, many employees find that it's virtually impossible to work only 40 hours, to take a full lunch hour and a morning and afternoon break. More is expected out of an employee than ever before and overtime is often not an option but a requirement.

However, if you strive to run a "full time" private practice, you may wind up nostalgically looking back at only working a 40-hour week. In exchange for the gratification of being your own boss and running your own business, you will probably work more than ever before. Providing your career expertise is only one part of your work now. A good rule of thumb in managing your practice is that you will devote your time as

follows: 1/3 for administrivia, 1/3 for business development, marketing and professional development and 1/3 for actually practicing your craft. This formula will enter into your pricing policy.

As an employee or contractor, you provided your expertise in exchange for a paycheck and often a benefits package. It was not your concern to actually "get" the clients but only to provide the service. Covering overhead, purchasing supplies, ensuring the upkeep of equipment were not your concern any more than was getting the phone to ring.

To be successful in your own practice, you must find ways to maintain your motivation, drive and commitment. Participating in the business community, professional organizations and networking groups can be invaluable, not only for building business but for staying motivated and learning business building techniques from others. Having a buddy coach can be a mutually beneficial relationship. Scheduling time for breaks, maintaining good nutrition and an exercise program are essential.

In addition to being the best that you can be in providing expertise, to be successful you must strive to always commit to the highest levels of customer service. This means that in addition to providing the best counseling, writing or coaching services, etc., you must go the extra mile to satisfy clients and prospects by responding promptly to customer inquiries, being tactful in resolving disputes and providing extra touches such as thank you and follow up notes, newsletters or an e-community.

For a career practitioner, perhaps no decision is as difficult as how to price your services. You want to do a competitive analysis from time to time to understand what other similar business / practitioners in your market are charging. But that is only one element to consider (or often not to consider). Are your services unique in some way? Do you have a special level of expertise? Are you able to position yourself uniquely to differentiate yourself from other services in order to command a different fee structure? Can you target a market that can afford the fees you need to set? It is possible that you may have to concentrate on a client base that is different from the one you previously worked with in order to generate an adequate income and provide pro-bono services to those who can't afford your fees.

So how do you set your fees?

1. Begin with a figure that represents what you want to "earn" after all the business related expenses and taxes are covered. Set a realistic, attainable monetary goal.
2. Prepare a budget that itemizes all of your monthly expenses as well as annual expenses. If you pay an expense annually, such as licenses or insurance premiums, divide by 12 to allocate the appropriate monthly amount. Factor in an amount for repairs and maintenance and for equipment which will have to be replaced

periodically. Remember also the outlays you will have to make for professional development—including professional development course work, workshops and publications that will assist you with running your business.

3. The resulting figure is the total amount of revenues that you must generate to wind up with the after-expenses income.
4. Determine how many hours you want to work on a daily basis and how many days of vacation you wish to take as well as holidays that you won't work. A 40-hour work week equals 2,080 hours yearly. Deduct two weeks vacation and you wind up with 2,000 hours. If you plan on working "full time," remember that approximately 1/3 of that time will be devoted to marketing and business development and 1/3 will involve the administrative aspects of the business (including receiving and returning phone calls, handling correspondence and bookkeeping, etc.). That means that 1/3 of the 2,000 hours is approximately a total of 660 billable hours. And, as a professional, the only commodity you have to sell is time.
5. Divide the income (after all costs and taxes are considered) by the billable hours you will have and that will approximate what you must generate on an hourly basis.

Example:

Joanne wants to work 4 days a week for 8 hours and take a 4 week vacation.

4 x 8 x 48 = 1536 total "work" hours

1536 hours / 1/3 = 512 "billable" hours

Joanne wants to earn $50,000 (after $10,000 in annual costs and taxes)

Total earnings $50,000 + $10,000 = $60,000—the amount of revenues she must generate.

Her hourly rate is calculated: $60,000 / 512 = $117

If Joanne can fill her calendar with appointments to equal 512 hours of billable time, and she charges approximately $120/hour, she will achieve her goal.

Of course, the above represents a perfect scenario. Joanne must work hard at generating the business to fill those hours. Business development is one of the entrepreneur's most significant tasks. Joanne can also increase her earnings by providing add-on services such as assessment testing, resume writing and related services. She can conduct workshops where she can deliver services to numerous people at one time, charging a significantly lower fee per hour—per client, but cumulatively generating a much higher hourly rate. She can also self-publish booklets that create an additional revenue stream or re-sell books.

The topic of running a successful career practice can fill many books. The preceding is just a taste of the elements that need to be considered. There are excellent resources and organizations that provide valuable information covering marketing, running a small business, public relations, time management, etc. Following is a list of several of the many helpful books that are widely available:

Working From Home, by Paul & Sarah Edwards (excellent resource even if you're not home based)

Getting Business To Come To You, by Paul & Sarah Edwards

Secrets of Self Employment, by Paul & Sarah Edwards

The E-Myth Revisited, by Michael Gerber

Running A One-Person Business, by Claude Whitmyer and Salli Rasberry

Time Management For Dummies, by Jeffrey J. Mayer

Nichecraft, by Dr. Lynda Falkenstein

Get Clients Now, by C.J. Hayden

How to Become A Rainmaker, by Jeffrey J. Fox

Dig Your Well Before You're Thirsty, by Harvey Mackay

Getting Things Done, by David Allen.

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